



BellSouth Telecommunications, Inc.
333 Commerce Street, Suite 2101
Nashville, TN 37201-3300

guy.hicks@bellsouth.com

Guy M. Hicks
General Counsel

615 214 6301
Fax 615 214 7406

April 15, 2002

VIA HAND DELIVERY

David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

REC'D IN
REGULATORY AUTH.
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OFFICE OF THE
EXECUTIVE SECRETARY

Re: *Generic Docket Addressing Rural Universal Service*
Docket No. 00-00523

Dear Mr. Waddell:

Enclosed for your information is a copy of a letter sent recently by BellSouth to independent local exchange carriers in Tennessee. This letter is being provided to you in response to the Authority's request that BellSouth notify the Authority of any future changes in the intraLATA toll settlement arrangement.

BellSouth has had a number of discussions with the independent local exchange carriers over the past year or so. While agreements were reached with respect to some issues, a final resolution of the matter has not been reached. The attached letter is an effort to restart those negotiations with the goal of concluding all remaining issues by mutual agreement. It is important that these issues be resolved expeditiously.

This letter is not intended to request that the Authority take any particular action at this point. Rather, it is to alert the Authority to the current status of the matter and the possibility that, should the negotiations be unsuccessful, formal Authority intervention may be requested.

David Waddell, Executive Secretary
April 15, 2002
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Copies of the enclosed are being provided to counsel of record.

Very truly yours,

Guy M. Hicks

GMH:ch

Jerry Hendrix

April 5, 2001

«Title»«FirstName»«LastName»
«Company»
«Address1»
«City»«State» «PostalCode»

Dear «Title»«LastName»:

As you know, the IntraLATA Toll Settlements Contracts between our companies implemented some years ago intended that BellSouth would function as a primary carrier for intraLATA toll traffic originated and terminated by your company. The agreement also contemplated that your company would bill and collect the intraLATA toll traffic at BellSouth toll tariff rates for toll calls originated by your end users. As you know, since that time, the environment in which we operate has changed dramatically as a result of the Telecommunication Act of 1996 and market forces.

Over the last several years BellSouth has discussed with a number of the Independent LECs in Tennessee the need to revise the intraLATA toll compensation arrangement. What BellSouth has proposed during those meetings is a change in the formula for compensation that more appropriately aligns with our existing competitive local and toll markets. As a part of that ongoing negotiation, you may recall that we reached agreement last year to update Billing and Collection rates that were contained in the agreement to be more in alignment with today's environment with the understanding that the remaining issues addressed in our letter of July 31, 2000 would be addressed this year.

While this issue has been discussed, no settlement has been reached as of this time. Meanwhile, the economic condition of the telecommunications industry and continuing competitive inroads require that we take some action to align our relationship to these realities. Our ongoing analysis of the intraLATA toll settlements between our companies continues to indicate an imbalance between the old access rates contained in the agreement that BellSouth pays to your company and the market based rates charged to competing toll providers. This was not the intent of the parties. This rate imbalance is precisely the type of material change against which the termination provision was designed to protect the parties. We are currently taking steps to address this issue throughout our nine-state region.

In light of the Tennessee Regulatory Authority's December 29, 2000 Order in Docket No. 00-00523, BellSouth is not invoking the termination provision that the agreement allows at this time. BellSouth is, however, hereby providing notice of its intent to pursue termination of this outdated agreement and negotiation of a new one. We strongly prefer that any new agreement be by negotiation. We, likewise, understand your issues and will support same whenever possible. However, we cannot agree to defer resolution of our overdue issues pending an uncertain resolution of yours. Therefore, in the event that negotiation does not move at an expedited pace toward resolution of this issue, BellSouth will be forced to seek relief from the TRA and any other forum available to us. The TRA's Order on this matter addressed the issue of whether BellSouth could unilaterally terminate certain arrangements without TRA involvement. The Order also stated that it should not be construed to interfere with continued negotiations. In fact, the Order specifically admonishes the parties that

nothing stated [in the Order] should be construed to suggest that current efforts in developing or pursuing alternative interconnection compensation mechanisms should be relaxed, or that this decision extends beyond resolving the immediate questions or the TRA's jurisdiction and authority in this matter.

Initial Order of Hearing Officer, December 24, 2000, Docket No. 00-00523, p. 12-13. Accordingly, in the event we are unable to reach agreement within a reasonable time period regarding a new agreement, BellSouth will petition the TRA for permission to terminate the old agreement. Further, if the parties do not commence good faith negotiations by the later half of April 2002, BellSouth will dispute all charges billed to BellSouth that exceed the revenue reported to BellSouth and will pursue all available remedies. We believe, however, that such action will not be necessary.

We regret that the tone of this letter may be interpreted as harsh, but it merely raises issues we have all been aware of and discussed for some period of time. We must now act to address these inequities and establish an equitable arrangement for both of our companies. We look forward to establishing an equitable arrangement for both of our companies. A template agreement will be sent to you for review by April 12, 2002. BellSouth would like to schedule a meeting to discuss the proposed interconnection agreement with you during the week of either April 15th or April 22nd. Please let us know of your availability. We are also happy to negotiate these issues with you individually or collectively with other companies. If you have any questions, please contact Tim Watts at 205-321-2065.

Sincerely,

Original Signed by Jerry Hendrix

Jerry D. Hendrix

CERTIFICATE OF SERVICE

I hereby certify that on April 15, 2002, a copy of the foregoing document was served on the parties of record, via the method indicated:

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

Russ Minton, Esquire
Citizens Communications
3 High Ridge Park
Stamford, CT 06905

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

Charles B. Welch, Esquire
Farris, Mathews, et al.
205 Capitol Blvd, #303
Nashville, TN 37219

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

Mr. David Espinoza
Millington Telephone Company
4880 Navy Road
Millington, TN 38053

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

Jon E. Hastings, Esquire
Boult, Cummings, et al.
P. O. Box 198062
Nashville, TN 37219-8062

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

Henry Walker, Esquire
Boult, Cummings, et al.
P. O. Box 198062
Nashville, TN 37219-8062

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

James Wright, Esq.
United Telephone - Southeast
14111 Capitol Blvd.
Wake Forest, NC 27587

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

Dan Elrod, Esquire
Miller & Martin
150 4th Avenue, #1200
Nashville, TN 37219

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

James Lamoureux, Esquire
AT&T
1200 Peachtree St., NE
Atlanta, GA 30309

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

Donald L. Scholes, Esquire
Branstetter, Kilgore, et al.
227 Second Ave., N
Nashville, TN 37219

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

Timothy Phillips, Esquire
Office of Tennessee Attorney General
P. O. Box 20207
Nashville, TN 37202

☐ Hand
☒ Mail
☐ Facsimile
☐ Overnight

James R. Kelley, Esquire
Neal & Harwell, PLC
2000 First Union Tower
150 Fourth Avenue North
Nashville, Tennessee 37219-2498

